

The Mac Weekly – Online Edition

November 1, 2005

GOP aims to cut loans for students

Federal bill threatens to increase loan debts

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On Thursday, the U.S. House of Representatives was scheduled to vote on a bill that would cut \$14.3 billion from student loan programs and add significant costs to students who borrow federal funds as part of their financial aid award.

As of press time, the outcome of the scheduled vote could not be determined.

If approved, these cuts would contribute to a trend of declining federal support as a total component of financial aid, a development that has plagued colleges and universities for more than a decade.

H.R. 609, called the College Access and Opportunity Act of 2005, was at first a routine reauthorization bill for the Higher Education Act of 1965 and has now become part of a Republican strategy to reduce budget deficits by making major cuts in federal programs.

House Democrats who oppose the bill were not optimistic about the likelihood of voting it down, even after persistent efforts were made to create a bi-partisan coalition to block its passage. A version of the bill that came before the Senate was approved in committee and is pending likely approval on the Senate floor.

An analysis of the bill provided by the Congressional Budget Office (CBO) showed that H.R. 609, if passed, would make a number of significant changes to current loan policies.

Federal Stafford loans would have a higher cap on interest rates, meaning the interest on the loan over time would likely cost students more during the repayment phase.

The bill would eliminate subsidies to lenders of student loans, who critics argue would have to pass on higher costs to students in the form of less favorable repayment options.

In addition, new fees would be added to the process of loan consolidation, when students merge all their federal loans into one single debt.

Rep. George Miller, the ranking Democrat on the House Committee on Education and the Workforce, which approved the bill along party lines in July of this year and sent it to the floor for the Thursday vote, determined that the average college student who takes out \$17,500 in loans over four years will see an increase of \$5,800 in costs over the lifetime of the loan if these changes take place.

For the 75 percent of Macalester students who take out an average of \$14,889 in loans over their four years at the college, passage of the bill could result in a significant increase in their overall debt load, Director of Financial Aid Brian Lindeman said.

A student who currently would pay \$200 per month after graduation as part of a ten-year repayment plan could see that number rise to \$250, a 25 percent increase, Lindeman said.

If the bill is passed into law, students could expect the changes to take affect for loans received after July 1, 2006, Lindeman said.

"It's a significant amount of money, and it will be a factor in [students' lives] for a long period of time," Lindeman said.

These cuts come at a time when rising college costs have far outpaced increases in the federal loan programs.

The Stafford loan limits haven't changed since the early '90s, more than a decade ago, and the other aid programs have remained stagnant during that period of time, Lindeman said. Meanwhile, the costs to attend all colleges have increased steadily over time, rising faster than wages and reducing the affordability of higher education.

Lindeman first became aware of the potential impact of H.R. 609 when The Minnesota Private College Council (MPCC), an education research and interest group of which Macalester is a member, contacted him about attending a press conference hosted on Monday, Oct. 31, by Rep. Betty McCollum, who represents Minnesota's 6th Congressional District and the Macalester area.

"This amounts to the largest single cut ever to student loan programs," McCollum said to those in attendance at the press conference. "These cuts are wrong. They are shortsighted. And, they are immoral."

According to Michael Wilhelmi, the director for government and community affairs at MPCC, the cuts to federal loans and grants affect low and middle-income students the most.

"The distance between what low and middle-class families can afford, and the costs to attend college is growing," Wilhelmi said. "And the aid is increasingly not there."

Wilhelmi is concerned that the passage of H.R. 609 will place higher education out of reach for even more qualified students from lower income households.

"It's reaching the point that they just can't go," Wilhelmi said.

For Macalester however, the impact will not be as dramatic.

"I don't think we're going to see people dropping out," Lindeman said. "My concern is that we're not making a lot of progress reaching out to new [low-income students]."

The cuts would have no effect on Macalester's financial aid budget, or the ability of the college to meet the full need of all admitted students, Lindeman said.

Rep. John Boehner, the Chairman of the House Committee that sent the bill to the floor, defended the cost reductions as part of a plan to put pressure on colleges to reduce excessive tuition inflation, he said in a press statement released Tuesday.

"From the outset our primary goal has been to reform and strengthen the Higher Education Act to expand college access for low and middle-income students," Boehner said.

According to Alexa Morrero, deputy communications director for Boehner and the education committee, the bill does more to help students than ever before.

"Even talking in terms of a cut is just not accurate," Morrero said. "The Democrats are not showing where we're investing the savings from reducing costly subsidies."

When responding to these statements on Tuesday, Miller defended his analysis of the bill.

"There's no ambiguity about these figures," Miller said. "This [information] comes from the Congressional Budget Office." The CBO is a non-partisan government agency that provides budget analysis for members of Congress irrespective of the party.

Miller also criticized the argument that the cuts are necessary to hold colleges accountable for rising costs of tuition and fees. He cited mandatory tuition increases for state schools by state legislatures, and other factors, including escalating healthcare and benefits costs, as reasons why college prices have increased faster than inflation.

"There are numerous reasons why the costs of college education is going up," Miller said. "Let's not punish the students."

While MPCC helped generate turnout at the rally held by McCollum, Wilhelmi is doubtful about last-minute efforts to lobby members of congress.

"We don't believe that any more direct lobbying will change the minds of those members in congress who are advocating for large cuts," Wilhelmi said. "We believe the only thing that will change things around is strong citizen action."

As part of their effort to galvanize student support for education funding, MPCC has organized the Minnesota Private College Action Network, which sends updates to students about pending education issues, and encourages them to write to state and national representatives.

If the House passes H.R. 609, it will most likely be sent to a conference committee that will be given the task of creating a compromise between the House and Senate versions before it is sent to the President to sign into law.